

City of Lafayette Staff Report

For: City Council & Redevelopment Agency
By: Steven Falk, City Manager
Tracy Robinson, Administrative Services Director
Date Written: October 6, 2008
Meeting Date: October 14, 2008
Subject: **Redevelopment Tax Allocation Bonds Series 2008**

Introduction

The Redevelopment Agency must issue a Tax Allocation Bond (TAB) to finish construction of the Lafayette Library and Learning Center. The 2008 series bond issue was, from project inception, anticipated to be a major funding source alongside the \$11.8M state grant, \$9M in private donations, \$10M from the Series 2005 Tax Allocation bonds, and \$1.2M from redevelopment fund balances.

Discussion

In the RDA's original financial plan for library construction, the Series 2008 TAB was expected to yield \$11.3M in proceeds, but turmoil in the markets and rising interest rates threaten that presumption. In 2005, when the plan was prepared, interest rates for a TAB ran at about 4.8%; today's roiled market now demands rates ranging from 6% - 7% depending on the final rating the Agency receives. Higher interest rates, of course, will reduce the amount of proceeds available for the library project.

The average "run rate" for construction expenses is about \$1.1M per month, and staff forecasts that funds currently available for construction will be depleted by January.

Thus, to complete the library according to plan and without funding from other sources, proceeds from the TAB must be, at minimum, \$10.3M.

Fiscal Impact

The following table shows estimated bond proceeds given a series of interest rates that might be achievable in the current market environment*:

Interest Rate	Net Bond Proceeds
7.0 %	\$7,650,407
6.5 %	\$8,112,079
6.0 %	\$8,668,167

**Note: These numbers are estimates only. Actual figures will depend on the interest rates available at the actual time of issuance.*

Therefore, depending on the actual interest rate achieved, the Agency might fall between \$1.7M and \$2.7M short on funds for completing the construction of the Library.

Our current timeline anticipates that bonds will be priced on October 29th with funds received on November 12th. There are, however, options for the Agency to consider:

- **Option 1 – Issue bonds now regardless of interest rate.**

The advantage of this option is that we can be fairly certain of the interest rate; rates in the next few months may rise higher. While some analysts suggest that the government bailouts will take 6-8 weeks to impact the markets, others suggest that the current fiscal problems are merely the “tip of the iceberg” and that the financial markets may falter further as another wave of mortgages adjust to market rates.

This option will leave the Agency with a funding gap of between \$1.7M and \$2.7M. Staff suggests that this funding gap could be bridged in one of two ways:

1. A loan money from the Parking (\$2.6M) and/or City Offices Fund (\$2.4M)
2. A loan from the Library Foundation

- **Option 2 – Go to market as planned but set upper limit for interest rate.**

The Agency may decide to price bonds on October 29th but set an upper limit for the interest rate. This option implies that the Agency will wait until the market improves to issue bonds. This option leaves a cash flow gap of approximately \$1M per month that could be bridged for up to six months using the Parking & City Offices fund and/or a loan from the Library Foundation.

The advantage of this option is that rates may decrease as the market settles. However, in order to net the necessary \$10.3M, rates would need to drop to at least 5.1%, which is unlikely in the next 6 months. Therefore, the Agency will still likely to have a significant funding gap.

The disadvantage of this option is that rates may be potentially higher than they are now, thus netting even fewer proceeds. Furthermore, expending the City Offices and Parking Funds reduces the City’s ability to respond to opportunities, cash crunches, emergencies, etc. during the period of the loan.

In either case, staff recommends that the bond documents be approved as to form now, so as to allow the Agency utmost flexibility to capture market opportunities should interest rates drop. Absent any material changes to the Agency’s position, these bond documents have no specific expiration. In the event that the bond sale is halted on the pricing date because the upper limit

for interest rates has been exceeded, the marginal cost to bring the deal to market again in 3-6 months would be less than \$5,000.

The Process

City staff have determined and recommended that the bonds be sold by negotiated sale to US Bancorp Piper Jaffray as underwriter. Because of the relatively low bond rating, small size of the bond as well as the difficult market, a negotiated sale offers the best opportunity to pre-market the bonds and sell our positive, upbeat story to potential purchasers and to dispel any consideration that the bond may be downgraded in the future.

RDA bonds may ordinarily be sold only at a competitive sale, but may be sold at negotiated sale to a "joint powers authority" or "JPA". The JPA is also permitted by law to resell the bonds to US Bancorp Piper Jaffray by negotiated sale. We previously sold the 2002 and 2005 Series TABs via a negotiated sale.

Recommendation

Staff, in consultation with our financial advisor and bond counsel, recommends the following actions:

- Adopt **RESOLUTION NO. 2008-42** authorizing the issuance and sales of RDA Tax Allocation Bonds Series 2008.
- Adopt **RESOLUTION NO. R2008-04 (RDA)** approving the issuance, sale and delivery of the Lafayette Redevelopment Project Tax Allocation bonds, Series 2008 and approving the following financing documents, in preliminary form:
 - (1) The Bond Purchase Agreement establishes the agreement of the Agency to sell the bonds to the purchaser. Initially this will be the JPA, which will resell the bonds to the bond underwriter. It is to be executed in several weeks when the bonds are sold.
 - (2) Second Supplemental Indenture of Trust contains the terms of issuance and repayment of the bonds, governs the bonds until they are repaid in full, and directs a trustee acting on behalf of the City to pay principal and interest on the bonds and to keep records in connection with the bonds. It is to be executed when the bonds are delivered, in November.
 - (3) The Official Statement describes the bonds, how they are paid, the security for the bonds and information about the City for prospective investors in the bonds. It is printed and delivered in connection with the marketing of the bonds as a Preliminary Official Statement, and in connection with the delivery of the bonds as a final Official Statement.
 - (4) Continuing Disclosure Certificate describes the continuing disclosure obligation of the Agency to file an annual report as required by SEC Rule 15(c)2-12(b)(5).
- Adopt **RESOLUTION NO. PF2008-01 (JPA)** approving the Public Facilities Financing purchase and sale of the Lafayette Redevelopment Project Tax Allocation bonds, Series 2008.

WALL STREET JOURNAL

Cities Are Cutting Back Projects

By MARY WILLIAMS WALSH

Cities, states and other local governments have been effectively shut out of the bond markets for the last two weeks, raising the cost of day-to-day operations, threatening longer-term projects and dampening a broad source of jobs and stability at a time when other parts of the economy are weakening.

The sudden loss of credit, one of the ripple effects of the current financial turmoil, is affecting local governments in all parts of the country, rich and poor alike. Washington has shelved a planned bond offering to pay for terminal expansion and parking garages already under construction at Dulles and Reagan Na-

tional Airports. Billings, Mont., is struggling to come up with \$70 million more for a new emergency room. And Maine has been unable to raise \$50 million for highway repairs.

"We really are in terra incognita here," said Robert O. Lenna, executive director of the Maine Municipal Bond Bank, which helps that state's towns and school districts raise money. He said he had worked in public finance for 34 years and had never before seen credit evaporate so completely.

Maine had already begun some of its road work when the bond markets stopped functioning, so

Continued on Page A25

Local Projects Are Stalled As Borrowing Costs Rise

From Page A1

now it is scrambling for bank loans to keep the dump trucks rolling. If money does not start flowing soon, Mr. Lenna said, Maine will have to cancel some of its road and bridge projects.

The only alternative would be what New York City did on Monday: Go into the locked-up markets and whip up demand by offering to pay investors a very high return.

Analysts said the dysfunction in the municipal bond markets appeared to signal the end of an era of relatively cheap money for governments and, probably, the start of an era of tough choices

ices, said John V. Miller, chief investment officer at Nuveen Asset Management, a municipal bond investment firm. "For some, the level of service they provide will decline."

Some governments, already straining to balance their budgets, will have to cut payrolls, he said, and others may decide to raise taxes.

Last year, governments across the country issued about \$23 billion of fixed-rate municipal bonds in September. This September they issued \$15 billion — all but about \$2.2 billion of it in the first two weeks of the month, according to Municipal Market Advisors, a research and strategy firm.

Tight money is already becoming apparent in some states. In Montana, officials had planned to sell \$130 million of bonds to the public last December to pay for a new emergency room, cancer center and improvements at the Billings Clinic, a 272-bed hospital in the state's largest city. But they were dissuaded by higher interest rates even then.

"I've been second-guessing it since then," said Michelle Barstad, executive director of the Montana Facility Finance Authority. "Things just keep getting worse and worse."

The authority borrowed \$60 million of the total cost from private lenders in May, but is now unsure where to get the remaining \$70 million. Ms. Barstad said one option under consideration was to borrow about \$20 million from local banks and scale back the project, at least for now.

"We're just sitting on our hands like everybody else, trying to figure out what to do and how we do it," said Ms. Barstad, adding that she would welcome a return of the days of simple, fixed-rate bonds.

The credit crisis caused Athens-Clarke County, Ga., to delay a \$221 million bond issue planned

The growing impact: projects and jobs are threatened.

for communities. When the market starts moving again, they said, it will look a lot like the municipal bond market of 10 years ago, before the arrival of financial wizardry in the form of structured-finance products, which lowered borrowing costs but added big new risks. Instead, governments will probably be issuing plain-vanilla bonds with fixed rates of interest, higher than they are accustomed to.

And higher rates suggest some degree of belt-tightening, especially difficult in places where tax revenues are being squeezed because of falling real estate values and the slowing economy.

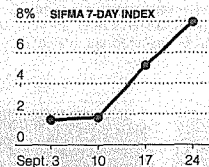
Municipalities will probably be able to function, but may not be able to expand their public serv-

Nick Bunkley contributed reporting.

As Rates Soar, a Slowdown in the Municipal Market

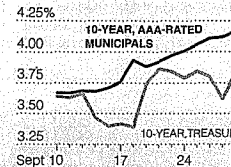
In the last two weeks, the credit crisis has nearly shut down the municipal bond market, as local governments across the country balk at paying high interest rates.

Variable interest rates on municipal debt have soared ...

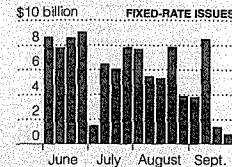


Sources: Municipal Market Advisors; Bloomberg

... and fixed interest rates on the highest-quality bonds have risen well above Treasury yields ...



... forcing state and local governments to cut back on new municipal debt issues.



THE NEW YORK TIMES

for the day Lehman Brothers declared bankruptcy. The county has been planning for 10 years to upgrade three sewage treatment plants built more than 40 years ago when the population was much smaller.

The county's finance director, John Culpepper, said he had delayed the issue rather than raise the monthly sewer bills to the system's 39,000 customers.

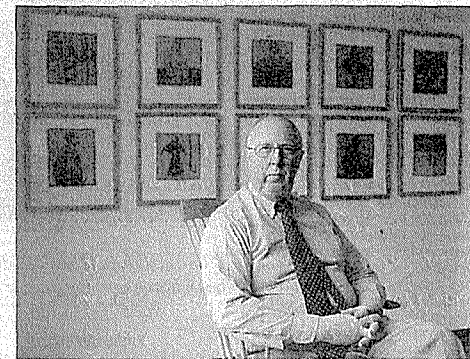
"We're going to wait it out for the next month or two, until the market returns to more normal conditions," he said.

The Washington Metropolitan Airports Authority has already begun construction of a bigger international arrivals building at Dulles, a new parking deck at Reagan National and other major projects, and said it intended to forge ahead using cash and commercial paper.

New York City decided to brave the markets on Monday and ended up having the whole place to itself. It managed to issue \$300 million of bonds for public schools, the only issue of the day. The New York Transitional Finance Authority will pay 5.75 percent on those 30-year bonds, the equivalent of a 10.5 percent interest rate to New York City residents, who will not have to pay city, state and federal tax on the income.

Yet even with that rate, the issue was not completely sold, said Mr. Miller of Nuveen.

"This is for a very well-liked



JOEL PAGE FOR THE NEW YORK TIMES

"We really are in terra incognita here," said Robert O. Lenna, executive director of the Maine Municipal Bond Bank.

name, a very well-known name," said Mr. Miller, explaining that New York City's bonds usually sell out quickly.

Mr. Lenna said Maine's advisers had warned that it might end up paying interest as high as 10 percent if it brought its highway bonds to market now. "We're not going to go out and incur these costs," he said.

The municipal bond markets had already hiccupped before the latest turmoil. But analysts say the gridlock began in mid-September, when Lehman Brothers declared bankruptcy.

Lehman Brothers was one of several Wall Street firms that had created structured-finance products for municipalities for the past few years. These products could be hybrids, allowing a local government to issue what seemed like a fixed-rate bond that could in turn be bought by an investor who received a variable rate of interest.

Governments generally prefer fixed-rate bonds because the cost is predictable — but variable-rate bonds were attractive because of their generally lower rates. Securities firms tried to merge the

best of both worlds by linking derivatives contracts to municipal bonds. One structured product was a variable-rate demand note, which gave the investor the option of putting the note back to the securities firm if the investor decided the rate was too low.

The notes were often bought by mutual funds for their tax-exempt bond funds. The booming demand for those funds, in turn, held down the price of borrowing for states and cities, at least for a while.

But when Lehman collapsed, the mutual funds suddenly perceived a risk: the securities firms that had created the products might go out of business. So, owners of the notes put them back to the securities firms that had sold them.

The prices investors were willing to pay for the notes plunged, driving up short-term rates for municipal bonds. Securities firms, under pressure, unwound the notes and reconstituted them as old-fashioned fixed-rate bonds.

None of this had anything to do with the behavior of local governments or their ability to repay their debts, but it brought the municipal bond market to a halt.

Thomas G. Doe, president of Municipal Market Advisors, said his firm was fielding calls this week from government contractors asking how much credit might be available next year. For insight, he pointed to municipal bond data from the 1930s.

"During the first few years after the '29 crash, municipal issuance dropped 24 percent," he said. "It wouldn't be unreasonable to think that we could see municipal issuance go from a total of \$430 billion last year, to something like \$350 billion next year, which would be a drop of 25 or 30 percent."

This would not mean widespread bond defaults, he said, just greatly narrowed local budgets.

"It's no different from a family budget," he said. "We're not going to go out to dinner any more. We're not going to buy a new car. That's the similarity."



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October 7, 2008

Mr. Steven Falk, City Manager
Ms. Tracy Robinson, Administrative Services Director
City of Lafayette
3675 Mt. Diablo Blvd, #210
Lafayette, CA 94549

Dear Mr. Falk and Ms. Robinson:

It has been a pleasure to work with you both on the preparation for the Series 2008 Tax Allocation bond financing. It is especially a pleasure to note that the credit strength for the Lafayette program is improving and maturing quite well. For those factors that your community can control or impact, the financing process is moving along as well as one could ask. However, as we all know, there are two externalities: (1) the overall concerns about the California real estate economy and (2) the turmoil in the credit markets that directly impact the marketing of the Series 2008 Bonds.

THE CREDIT PACKAGE AND BOND RATING

Included in the Agenda package is a copy of the credit package that was submitted to Standard and Poors. The Lafayette Redevelopment Program currently has a BBB+ rating. For a redevelopment project area of under 1,000 acres, this is a very solid bond rating. Though we will ask for a rating upgrade, given the State budget actions impacting redevelopment and the general perception of the California real estate market, we will not be dissatisfied with a BBB level rating for this financing.

The only negative on the Lafayette redevelopment credit is the State budget take of revenues. This unconstitutional taking of local revenues is a concern for us all. It is hoped that the California Redevelopment Association will soon be challenging the legitimacy of this revenue taking. However, this challenge is unlikely to positively impact this financing.

BOND PRICING STRATEGY

The greatest positive for this financing is that it is under \$20 million in size and hence the sale can be focused on retail and small- to mid-size financial institutions. These institutions are not as yield hungry or market impacted as the larger money market funds and major institutional investors. While the financing will be shown to the

full range of investors, our focus will be to look for \$100,000 to \$1,000,000 orders for the underwriting.

While relatively few municipal issues have come to market over the last two weeks, the actual long term rates have not moved substantially. Specifically, high quality AA and AAA bonds have been successfully placed in the 5.3% to 5.6% range, A rated bonds have been actively traded in at 5.9% to 6.4% levels, and BBB+ rated bonds receive market acceptance in the 6.4% to 6.75% levels. These rates all reflect small to medium size blocks of bonds, typically in the \$1 to \$5 million range.

The Lafayette financing will have one strong asset that sets it apart from other BBB+ financings – the Lafayette name. On the negative side, the basic passive revenues stream that is tax increment, plus the State of California revenue take are both harmful. Given these offsetting points, we believe the Lafayette financing should price – for the long term bonds that make up 85% of the issue, at the 6.5% level in today's market.

THE CREDIT MARKETS

As you are undoubtedly all too aware, the credit market disarray is unprecedented. Larger financings that require substantive institutional support are being deferred unless there is simply no choice. However, as noted above, financings of under \$20 million are proceeding and being priced.

For the last three weeks we have anticipated some market stability “next week” only to see that time horizon move another week away. As financings are deferred, the potential inventory to come to market just keeps growing. However, 90%+ of this volume are strong A and mostly AA credits with \$100+ million offerings. While these financings are expected to impact market yields when they eventually come to market, they will be sold to an entirely different market than the Lafayette bonds.

THE BOND SALE PROCESS

With Agency and City approval on October 14th, it will be possible to electronically post the Preliminary Official Statement (POS) by the 20th and the mailing of actual books should be kept to under 150 copies. The sale would be scheduled for the 29th. Piper would undertake an aggressive marketing push from the 20th to the 29th. The decision to market the bonds would be “semi-final” on the afternoon of the 28th, but the final decision would occur on the morning of the 29th.

If we expect the Agency can secure a term bond rate in the 6.5% range on the 28th, we would consider recommending that the pricing move forward. If, on the 28th or the morning of the 29th it becomes apparent that a higher yield is going to be needed, the bond sale will not be adversely impacted by deferring the sale. In other words, the Agency staff will maintain full control on whether or not to proceed with the sale until early on the morning of the proposed pricing. The only real costs of deferring the sale for weeks or several months is the printing cost, which should be under \$5,000.

TIMING THE MARKET

The overriding question is whether or not rates will decrease substantially by waiting for one or more months. In the current market this is a complete unknown. If this financing were over \$50 million and had a AA rating, our advice would be to seriously consider waiting to at least let the un-issued pending supply be absorbed into the marketplace. However, this financing will be focused in more of a niche area of the market, and supply, while a factor, is not the overriding concern.

Three weeks ago this financing could have enjoyed rates in the 6.35% range, while two weeks ago the Lafayette bonds would have priced at a 6.65% level. There has been some improvement, but the range of movement for BBB range financing has not been great. The general market flight to quality is calling for spreads of 150 basis points (1.5%) over highest grade AAA and AA bonds.

Given the instability of the markets and the fact that by next week the markets can change substantially, I will end this crystal-ball discussion here and provide a more detailed update at the October 14th meeting. However, in summary, once we schedule a sale date (approximately two weeks in advance), we have the ability to defer that sale date literally up to the last two hours.

SUMMARY

The Lafayette Staff and your financing team have done everything necessary to make this a very successful financing. Unfortunately the credit markets are not as cooperative. On October 14th a more detailed overview of the market will be provided with information based on conditions on the 10th through the 14th. We are looking forward to the markets calming down, eventually.

Best regards,

A handwritten signature in black ink, appearing to be 'Mark Curran', with a stylized, flowing script.

Mark Curran
Managing Director
Public Finance

BEFORE THE CITY COUNCIL OF THE
CITY OF LAFAYETTE

In the Matter of:

RESOLUTION OF THE CITY COUNCIL OF THE	)	RESOLUTION NO. 2008-42
CITY OF LAFAYETTE APPROVING THE	)	
ISSUANCE AND SALE OF NOT TO EXCEED	)	
\$13,000,000 AGGREGATE PRINCIPAL AMOUNT	)	
OF REDEVELOPMENT AGENCY OF THE CITY OF	)	
LAFAYETTE REDEVELOPMENT PROJECT TAX	)	
ALLOCATION BONDS, SERIES 2008	)	

WHEREAS, the Redevelopment Agency of the City of Lafayette (the "Agency"), has authorized the issuance and sale of not to exceed \$13,000,000 aggregate principal amount of its Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008 (the "Series 2008 Bonds"), for the purpose of providing funds to aid in financing the project pursuant to a Second Supplemental Indenture of Trust, dated as of November 1, 2008 (the "Second Supplemental Indenture"), between the Agency and Wells Fargo Bank, N.A. (the "Trustee"), supplementing the Indenture of Trust, dated as of June 1, 2002, (as previously supplemented, the "Original Indenture", and as supplemented by the Second Supplemental Indenture, the "Indenture") between the Agency and the Trustee (as successor to U.S. Bank National Association);

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Lafayette as follows:

Section 1. The issuance and sale of not to exceed \$13,000,000 aggregate principal amount of the Series 2008 Bonds by the Redevelopment Agency of the City of Lafayette, in accordance with the terms and conditions set forth in the Indenture, is hereby approved.

Section 2. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the City Council of the City of Lafayette at a meeting held on October 14, 2008, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Mayor

ATTEST:

City Clerk

BEFORE THE BOARD OF DIRECTORS OF THE
REDEVELOPMENT AGENCY OF THE CITY OF LAFAYETTE

In the Matter of:

RESOLUTION AUTHORIZING ISSUANCE, SALE)	RESOLUTION NO. R2008-04
AND DELIVERY OF LAFAYETTE)	
REDEVELOPMENT PROJECT TAX ALLOCATION)	
BONDS, SERIES 2008; APPROVING A)	
PRELIMINARY OFFICIAL STATEMENT, A BOND)	
PURCHASE AGREEMENT, A CONTINUING)	
DISCLOSURE CERTIFICATE AND A SECOND)	
SUPPLEMENTAL INDENTURE OF TRUST;)	
AUTHORIZING DISTRIBUTION OF A)	
PRELIMINARY OFFICIAL STATEMENT AND)	
PREPARATION AND DISTRIBUTION OF A FINAL)	
OFFICIAL STATEMENT; AND AUTHORIZING)	
RELATED ACTIONS IN CONNECTION WITH)	
ISSUANCE, SALE AND DELIVERY OF BONDS	

WHEREAS, pursuant and in the manner set forth in a Second Supplemental Indenture of Trust, dated as of November 1, 2008 (the "Second Supplemental Indenture"), between the Redevelopment Agency of the City of Lafayette (the "Agency") and Wells Fargo Bank, N.A. (the "Trustee"), supplementing the Indenture of Trust, dated as of June 1, 2002, (as previously supplemented, the "Original Indenture", and as supplemented by the Second Supplemental Indenture, the "Indenture") between the Agency and the Trustee (as successor to U.S. Bank National Association), the Agency deems that it is now necessary and desirable to issue and offer for sale its Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008 (the "Bonds") to aid in the financing of redevelopment projects, pay certain costs of issuance and fund a reserve fund; and

WHEREAS, pursuant to Section 33640 and following of the California Health and Safety Code, the Agency has authority to issue the Bonds; and

WHEREAS, the City of Lafayette Public Facilities Financing Authority (the "Authority") is a joint exercise of powers authority organized and existing under the laws of the State of California and the Joint Exercise of Powers Agreement, dated February 1, 2002 (the "JPA Agreement"), by and between the Agency and the City of Lafayette (the "City"); and

WHEREAS, the Agency seeks to sell and the Authority seeks to purchase the Bonds at a negotiated sale pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement"), by and among the Agency, the Authority, and Piper Jaffray & Co. (the "Underwriter"); and

WHEREAS, in furtherance of implementing the bond issuance, the following documents have been prepared, reviewed and approved as to form by Agency staff, and presented at this meeting:

1. Second Supplemental Indenture, as described above;
2. Bond Purchase Agreement, as described above;
3. Preliminary Official Statement of the Agency, (the "Preliminary Official Statement"); and
4. Continuing Disclosure Certificate, (the "Continuing Disclosure Certificate"), between the Agency and the Trustee, pursuant to which the Agency is providing for continuing disclosure in compliance with the requirements of Rule 15c(2)-12 ("Rule 15c(2)-12"), promulgated by the United States Securities and Exchange Commission under the Securities Act of 1934;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Redevelopment Agency of the City of Lafayette as follows:

Section 1. The foregoing recitals are true and correct, and this Agency so finds and determines.

Section 2. This Agency hereby authorizes issuance and sale of not to exceed \$13,000,000 aggregate principal amount of tax allocation bonds of the Agency, and designates said bonds to be sold as the "City of Lafayette Redevelopment Agency Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008" (the "Series 2008 Bonds" or the "Bonds").

The Bonds shall be issued in an aggregate principal amount not to exceed \$13,000,000 and shall mature in the principal amounts in the years and shall bear interest at the interest rates provided in the Second Supplemental Indenture.

Section 3. The Preliminary Official Statement, relating in part to the Bonds, submitted to this meeting and on file with the Secretary of the Agency, is hereby approved, with such changes as the Executive Director or designee shall approve. The Executive Director is hereby authorized and directed to approve the distribution of the Preliminary Official Statement when satisfied with it and to certify on behalf of the Agency that the Preliminary Official Statement has been deemed "final" by the Agency, except for certain information pursuant to Rule 15c2-12, and the Executive Director is hereby authorized and directed to execute the Official Statement to be derived from the Preliminary Official Statement, for and in the name of and on behalf of the Agency, but only concurrently with execution on behalf of the Authority, which shall deliver the Official Statement in final form to the Underwriter. The Official Statement may contain such changes as the Executive Director shall approve, such approval to be conclusively evidenced by the execution thereof on behalf of the Agency.

Section 4. The form of Bond Purchase Agreement, submitted to this meeting and on file with the Secretary of the Agency, pursuant to which the Authority offers to purchase the Bonds from the Agency, is hereby approved, with such changes as the Executive Director or designee shall approve, such approval to be conclusively established by the execution thereof.

The Executive Director is hereby authorized and directed, for and in the name and on behalf of the Agency, to execute and deliver to the Authority the Bond Purchase Agreement in substantially said form, providing for the sale of the Bonds to the Authority; provided that the Bond Purchase Agreement shall specify interest rates, underwriter's discount, and original issue discount or premium such that the true interest cost of the Bonds shall not exceed 7.50%.

Section 5. The form of Second Supplemental Indenture, submitted to this meeting and on file with the Secretary of the Agency, is hereby approved, subject to such changes as the Executive Director or designee shall approve, such approval to be conclusively established by the execution thereof. The Executive Director is authorized and directed to execute the Second Supplemental Indenture on behalf of the Agency, and the Secretary is authorized and directed to attest such execution.

Section 6. The form of Continuing Disclosure Certificate, submitted to this meeting and on file with the Secretary of the Agency, is hereby approved, subject to such changes as the Executive Director or designee shall approve, such approval to be conclusively established by the execution thereof. The Executive Director is authorized and directed to execute the Continuing Disclosure Certificate on behalf of the Agency.

Section 7. The Executive Director, the Secretary, the Chair, the Treasurer and Controller, the members of the Agency Board and other appropriate officers and agents are hereby authorized and directed, jointly and severally, for and in the name of and on behalf of the Agency, to execute and deliver any and all documents, agreements and certificates that may be required to be executed in connection with the issuance and sale of the Bonds, including agreements relating to bond insurance and investment of proceeds of the Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Agency has approved in this Resolution. All actions heretofore taken by the officers and agents of the Agency with respect to the sale, execution and delivery of the Bonds, and the other transactions authorized and contemplated herein are hereby approved, confirmed and ratified. Notwithstanding any provision of this resolution authorizing the Executive Director to take any action or execute any document to the contrary, in the absence of the Executive Director or in lieu of the Executive Director, the person designated in writing by the Executive Director, may take such action or execute such document with like effect as fully as though named in this resolution instead of the Executive Director.

Section 8. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED by the Board of Directors of the Redevelopment Agency of the City of Lafayette at a meeting held on October 14, 2008, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

Executive Director

ATTEST:

Secretary

\$ _____
REDEVELOPMENT AGENCY OF THE CITY OF LAFAYETTE
Lafayette Redevelopment Project
Tax Allocation Bonds, Series 2008

Bond Purchase Agreement

_____, 2008

Redevelopment Agency
of the City of Lafayette
3675 Mt. Diablo Boulevard, #210
Lafayette, CA 94549

Ladies and Gentlemen:

The City of Lafayette Public Facilities Financing Authority (the "Authority") and Piper Jaffray & Co. (the "Underwriter"), offer to enter into this Bond Purchase Agreement (this "Purchase Agreement") with the Redevelopment Agency of the City of Lafayette (the "Agency"), which will be binding upon the Authority, the Agency and the Underwriter upon the acceptance hereof by the Agency. This offer is made subject to its acceptance by the Agency by execution of this Purchase Agreement and its delivery to the Authority and the Underwriter on or before 5:00 p.m., California time, on the date hereof. All terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Official Statement (as hereafter defined).

1. Purchase and Sale of Bonds.

(a) Purchase of Bonds by Authority from Agency. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Authority hereby agrees to purchase from the Agency, and the Agency hereby agrees to sell to the Authority, all (but not less than all) of the \$ _____ aggregate principal amount of the Agency's Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008 (the "Bonds"), at a purchase price equal to \$ _____ (being the aggregate principal amount thereof less a discount of \$ _____). Funds for the purchase of the Bonds by the Authority from the Agency shall be derived solely from the amounts paid to the Authority by the Underwriter as the purchase price of the Bonds pursuant to subsection (b) of this Section.

(b) Purchase of Bonds by Underwriter from Authority. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of

the Bonds at a purchase price equal to \$_____ (being the aggregate principal amount thereof less an underwriter's discount of \$_____ [plus/minus] a net original issue [premium/discount] of \$_____).

2. Description of Bonds. The Bonds shall be issued pursuant to the Constitution and Laws of the State of California, including the Community Redevelopment Law (commencing with Section 33000 of the California Health and Safety Code) (the "Redevelopment Law"), a Second Supplemental Indenture, dated as of November 1, 2008 (the "Second Supplemental Indenture"), between the Agency and Wells Fargo Bank, N.A., San Francisco, California, as trustee (the "Trustee"), supplementing the Indenture of Trust dated as of August 1, 2002 (the "Original Indenture", and as supplemented, the "Indenture"), between the Agency and the Trustee. The Bonds shall be as described in a resolution of the Agency adopted on October 13, 2008 (the "Resolution") and the Official Statement relating to the Bonds (which, together with all exhibits and appendices included therein or attached thereto and such amendments or supplements thereto which shall be approved by the Underwriter, is hereinafter called the "Official Statement"). The Bonds shall be secured by a first pledge of and lien on all of the Tax Revenues (as defined in the Indenture) allocated to the Agency with respect to the Lafayette Redevelopment Project of the Agency.

The Bonds maturing on and after August 1, 20__, are subject to optional redemption prior to their stated maturity dates on or after August 1, 20__, as a whole or in part on any date, at the option of the Agency, from any source of funds, at a redemption price equal to the principal amount of Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption without premium.

[The Bonds shall be insured by a municipal bond insurance policy to be issued by _____ (the "Insurer").]

3. Public Offering. The Underwriter agrees to make a bona fide public offering of all the Bonds initially at the public offering prices (or yields) set forth on Appendix A attached hereto and incorporated herein by reference. Subsequent to the initial public offering, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds, provided that the Underwriter shall not change the interest rates set forth on Appendix A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices.

4. Delivery of Official Statement. The Agency has delivered or caused to be delivered to the Underwriter prior to the execution of this Purchase Agreement or the first offering of the Bonds, whichever first occurs, copies of the Preliminary Official Statement relating to the Bonds (the "Preliminary Official Statement"). Such Preliminary Official Statement is the official statement deemed final by the Agency for purposes of Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule") and approved for distribution by resolution of the Agency.

Within seven (7) business days from the date hereof, the Agency shall deliver to the Underwriter a final Official Statement, executed on behalf of the Agency by authorized

representatives of such entities and dated the date of delivery thereof to the Underwriter, which shall include information permitted to be omitted by paragraph (b)(1) of the Rule and with such other amendments or supplements as shall have been approved by the Agency and the Underwriter (the "Final Official Statement"). The Preliminary Official Statement and the Final Official Statement, including the cover pages, the appendices thereto and all information incorporated therein by reference are hereinafter referred collectively to as the "Official Statement."

5. The Closing. At 8:00 a.m., California time, on November __, 2008, or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the Agency, the Authority and the Underwriter, the Agency will deliver (i) the Bonds, in registered form, to the Underwriter, and (ii) the closing documents hereinafter mentioned at the offices of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel") in San Francisco, California or another place to be mutually agreed upon by the Agency, the Authority and the Underwriter. The Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 hereof by federal wire transfer to the order of the Trustee on behalf of the Agency. This payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing." The Bonds will be delivered as physical certificates.

6. Representations, Warranties and Covenants.

(a) Representations, Warranties and Covenants of the Agency. The Agency represents, warrants and covenants to the Authority and the Underwriter that:

(1) Due Organization, Existence and Authority. The Agency is a public body, corporate and politic, organized and existing under the laws of the State of California, including the Redevelopment Law, with full right, power and authority to issue the Bonds and to execute, deliver and perform its obligations under the Bonds, this Purchase Agreement, the Resolution and the Indenture (collectively, the "Financing Documents") and to carry out and consummate the transactions contemplated by the Financing Documents and the Official Statement.

(2) Due Authorization and Approval. By all necessary official action, the Agency has duly authorized and approved the execution and delivery of, and the performance by the Agency of the obligations contained in, the Bonds, the Preliminary Official Statement, the Official Statement, and the Financing Documents and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, the Bonds and the Financing Documents will constitute the legally valid and binding obligations of the Agency, enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The Agency has complied, and will at the Closing be in compliance in all respects, with the terms of the Bonds and the Financing Documents, including the provisions relating to the issuance of Parity Bonds (as defined in the Indenture).

(3) Official Statement Accurate and Complete. The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement contain, and up to and including the Closing will contain, no misstatement of any material fact and do not, and up to and including the Closing will not, omit any statement necessary to make the statements contained therein, in the light of the circumstances in which such statements were made, not misleading.

(4) Underwriter's Consent to Amendments and Supplements to Official Statement. The Agency will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement and will not effect or consent to any such amendment or supplement without the consent of the Underwriter, which consent will not be unreasonably withheld. The Agency will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental agency prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Bonds.

(5) No Breach or Default. To the best knowledge of the Agency, as of the time of acceptance hereof and as of the time of the Closing, except as otherwise disclosed in the Official Statement, the Agency is not and will not be in breach of or in default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States, or any applicable judgment or decree or any trust agreement, loan agreement, bond, note, resolution, ordinance, agreement or other instrument to which the Agency is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and, as of such times, except as disclosed in the Official Statement, the authorization, execution and delivery of the Financing Documents, and the Bonds and compliance with the provisions of each of such agreements or instruments do not and will not conflict with or constitute a breach of or default under any applicable constitutional provision, law or administrative rule or regulation of the State of California or the United States or any applicable judgment, decree, license, permit, trust agreement, loan agreement, bond, note, resolution, ordinance agreement or other instrument to which the Agency (or any of its officers in their respective capacities as such) is subject, or by which it or any of its properties is bound, nor will any such authorization, execution, delivery or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of its assets or properties or under the terms of any such law, regulation or instrument, except as may be provided by the Bonds and the Financing Documents.

(6) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Executive Director of the Agency, threatened (i) in any way questioning the corporate existence of the Agency or the titles

of the officers of the Agency to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the issuance or delivery of any of the Bonds, or the payment or collection of any amounts pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity of the Bonds or the Financing Documents or the consummation of the transactions contemplated thereby or hereby, or contesting the exclusion of the interest on the Bonds from taxation or contesting the powers of the Agency or its authority to issue the Bonds; (iii) which may result in any material adverse change relating to the Agency; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and to the knowledge of the Executive Director of the Agency, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of this sentence.

(7) Preliminary Official Statement. For purposes of the Rule, the Agency has heretofore deemed final the Preliminary Official Statement prior to its use and distribution by the Underwriter, except for the information specifically permitted to be omitted by paragraph (b)(1) of the Rule.

(8) Continuing Disclosure. The Agency will undertake, pursuant to the Resolution and a Continuing Disclosure Certificate to be executed and delivered by the Agency as of the Closing (the "Continuing Disclosure Certificate"), to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking will be set forth in the Final Official Statement.

(b) Representations, Warranties and Covenants of the Authority. The Authority represents, warrants and covenants to the Agency and the Underwriter that:

(1) Due Organization, Existence and Authority. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, with full right, power and authority to purchase and sell the Bonds as contemplated by this Purchase Agreement.

(2) Due Authorization and Approval. By all necessary official action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations contained in, this Purchase Agreement; and as of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, this Purchase Agreement will constitute the legally valid and binding obligation of the Authority enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. The Authority has complied,

and will at the Closing be in compliance in all respects, with the terms of this Purchase Agreement.

(3) No Litigation. As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, government agency, public board or body, pending or, to the knowledge of the Executive Director of the Agency, threatened (i) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; or (ii) in any way contesting or affecting the consummation of the transactions contemplated hereby.

7. Closing Conditions. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and covenants herein and the performance by the Agency and the Authority of their respective obligations hereunder, both as of the date hereof and as of the date of the Closing. The Authority's obligations under this Purchase Agreement to purchase the Bonds from the Agency, and the Underwriter's obligations under this Purchase Agreement to purchase the Bonds from the Authority, and to pay the purchase price thereof, shall be subject to the following additional conditions:

(a) Bring-Down Representation. The representations, warranties and covenants of the Agency and the Authority contained herein shall be true, complete and correct at the date hereof and at the time of the Closing, as if made on the date of the Closing.

(b) Executed Agreements and Performance Thereunder. At the time of the Closing (i) the Financing Documents shall be in full force and effect, and shall not have been amended, modified or supplemented except with the written consent of the Underwriter and (ii) there shall be in full force and effect such resolutions of the Agency, the Authority and the City of Lafayette as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated by the Official Statement and the Financing Documents.

(c) Termination Events. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by notification to the Agency and the Authority if at any time at or prior to the Closing:

(1) any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(2) the marketability of the Bonds or the market price thereof, in the reasonable opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State of California, or the amendment of legislation pending as of the date of this Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United

States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any Federal or State court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or State authority materially adversely affecting the federal or State tax status of the Agency, or the interest on bonds or notes or obligations of the general character of the Bonds; or

(3) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds; or

(4) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission or any other governmental agency having jurisdiction of the subject matter shall be issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including all underlying obligations, as contemplated hereby or by the Official Statement, is in violation or would be in violation of, or that obligations of the general character of the Bonds, or the Bonds, are not exempt from registration under, any provision of the federal securities laws, including the Securities Act of 1933, as amended and as then in effect, or that the Resolution needs to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect; or

(5) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Underwriter's ability to trade the Bonds; or

(6) a general banking moratorium shall have been established by federal or State authorities; or

(7) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak of hostilities or a national or international calamity or crisis, or there has occurred any escalation of existing hostilities, calamity or crisis, financial or otherwise, the effect of

which on the financial markets of the United States being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds; or

(8) the commencement of any action, suit or proceeding described in Paragraph 6(a)(vi) hereof which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds; or

(9) there shall be in force a general suspension of trading on the New York Stock Exchange.

(d) Closing Documents. At or prior to the Closing, the Underwriter shall receive with respect to the Bonds (unless the context otherwise indicates) the following documents:

(1) Bond Opinion. An approving opinion of Bond Counsel dated the date of the Closing and substantially in the form appended to the Official Statement, together with a letter from such counsel, dated the date of the Closing and addressed to the Authority and the Underwriter, to the effect that the foregoing opinion addressed to the Agency may be relied upon by the Authority and the Underwriter to the same extent as if such opinion were addressed to them.

(2) Supplemental Opinion. A supplemental opinion or opinions of Bond Counsel addressed to the Underwriter, in form and substance acceptable to the Underwriter, and dated the date of the Closing substantially to the following effect:

(i) The statements contained in the Official Statement pertaining to the Bonds under the captions "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS" and APPENDIX A – "SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE" insofar as such statements expressly summarize certain provisions of the Bonds, the Indenture and its Bond opinion concerning certain federal tax matters relating to the Bonds, are accurate in all material respects.

(ii) Based upon its participation in the preparation of the Official Statement and without having undertaken to determine independently the fairness, accuracy or completeness of the statements contained in the Official Statement, such counsel has no reason to believe that, as of the date of the Closing, the Official Statement (excluding therefrom the reports, financial and statistical data and forecasts therein, the information included in the Appendices thereto, information relating to municipal bond insurer and its policy as to which no opinion need be expressed) contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended.

(3) Agency Counsel Opinion. An opinion of Counsel to the Agency, dated the date of the Closing and addressed to the Authority and the Underwriter, in form and substance acceptable to Bond Counsel, the Authority and the Underwriter, substantially to the following effect:

(i) The Resolution has been duly adopted and is in full force and effect and has not been rescinded in whole or in part.

(ii) The Financing Documents have been duly authorized, executed and delivered by the Agency and constitute the valid, legal and binding agreements of the Agency enforceable in accordance with their respective terms.

(iii) The Agency is a public body corporate and politic duly organized and validly existing under the laws of the State of California.

(iv) The Redevelopment Plan was duly adopted by the Agency and the City Council and is in full force and effect, and the Agency is entitled to receive Tax Increment Revenues from the Project Area pursuant to the Redevelopment Plan and the Law.

(v) The Agency is in compliance with the Redevelopment Plan, the Law and the County Agreement.

(vi) The statements contained in the Official Statement under the caption "NO LITIGATION," fairly and accurately summarize the information presented therein; provided that Agency Counsel need not express any opinion with respect to any financial or statistical information contained therein.

(vii) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Financing Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Financing Documents, or which, in any manner, questions the right of the Agency to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues.

(4) Authority Counsel Opinion. An opinion of counsel to the Authority, dated the date of the Closing and addressed to the Agency and the Underwriter, in form and

substance acceptable to Bond Counsel, the Agency and the Underwriter, substantially to the following effect:

(i) This Purchase Agreement has been duly authorized, executed and delivered by the Authority and constitutes the valid, legal and binding agreement of the Authority enforceable in accordance with its terms.

(ii) The Authority is a joint powers authority duly organized and validly existing under the laws of the State of California.

(iii) The resolution (the "Authority Resolution") of the Authority approving and authorizing the execution and delivery of this Purchase Agreement and approving the Official Statement has been duly adopted, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded.

(iv) The authorization, execution and delivery of this Purchase Agreement by the Authority and compliance by the Authority with the provisions of this Purchase Agreement, under the circumstances contemplated hereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach or default under any agreement or other instrument to which the Authority is a party (and of which such counsel is aware after reasonable investigation) or by which it is bound (and of which such counsel is aware after reasonable investigation) or any existing law, regulation, court order or consent decree to which the Authority is subject.

(v) Except as otherwise disclosed in the Official Statement and to the best knowledge of such counsel after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental authority or body, pending or threatened against the Authority, challenging the creation, organization or existence of the Authority, or the validity of this Purchase Agreement or seeking to restrain or enjoin the validity of this Purchase Agreement or contesting the authority of the Authority to enter into or perform its obligations under this Purchase Agreement.

(5) Trustee Counsel Opinion. An opinion of [Dorsey & Whitney], as counsel to the Trustee, dated the Closing Date and addressed to the Agency and the Underwriter stating that:

(i) The Trustee is a national banking corporation duly organized, validly existing and in good standing under the laws of the United States of America.

(ii) The Trustee has all requisite corporate power, authority and legal right to execute and deliver the Indenture and to perform its obligations

thereunder, and has taken all necessary corporate action to authorize the execution and delivery thereof and the performance of its obligations thereunder.

(iii) The Trustee has duly authorized, executed and delivered the Indenture. Assuming the due authorization, execution and delivery thereof by the other party thereto, the Indenture constitutes a legally valid and binding agreement of the Trustee, enforceable against the Trustee in accordance with its terms.

(6) Agency Certificate. A certificate of the Agency, dated the date of the Closing, signed on behalf of the Agency by the Executive Director or other duly authorized officer of the Agency to the effect that:

(i) The representations, warranties and covenants of the Agency contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Agency has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Agency at or prior to the date of the Closing.

(ii) No event affecting the Agency has occurred since the date of the Official Statement which has not been disclosed therein or in any supplement or amendment thereto which event should be disclosed in the Official Statement in order to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(iii) To the best knowledge of the Agency after due inquiry, there is no litigation, proceeding, action, suit, or investigation at law or in equity before or by any court, governmental agency or body, pending or threatened against the Agency, challenging the creation, organization or existence of the Agency, or the validity of the Financing Documents or seeking to restrain or enjoin the repayment of the Bonds or in any way contesting or affecting the validity of the Financing Documents or contesting the authority of the Agency to enter into or perform its obligations under any of the Financing Documents, or which, in any manner, questions the right of the Agency to use the Tax Revenues for repayment of the Bonds or affects in any manner the right or ability of the Agency to collect or pledge the Tax Revenues.

(iv) The statements contained in the Official Statement under the captions "THE AUTHORITY," "THE AGENCY" and "THE LAFAYETTE REDEVELOPMENT PROJECT AREA," fairly and accurately summarize the information presented therein; provided that Authority Counsel need not express any opinion with respect to any financial or statistical information contained therein.

(v) All of the conditions and procedures set forth in Section 5.1 of the Indenture regarding the issuance of the Bonds have been met, satisfied and

complied with, and the Agency is in compliance with all of its covenants set forth in the Indenture.

(vi) The Agency is in compliance with the Redevelopment Plan, the Law and the County Agreement.

(vii) The Redevelopment Plan was duly adopted by the Agency and the City Council and is in full force and effect, and the Agency is entitled to receive Tax Increment Revenues from the Project Area pursuant to the Redevelopment Plan and the Law.

(7) Authority Certificate. A certificate of the Authority, dated the date of the Closing, signed on behalf of the Authority by the Executive Director or other duly authorized officer of the Authority to the effect that the representations, warranties and covenants of the Authority contained herein are true and correct in all material respects on and as of the date of the Closing as if made on the date of the Closing and the Authority has complied with all of the terms and conditions of this Purchase Agreement required to be complied with by the Authority at or prior to the date of the Closing.

(8) Trustee Certificate. A certificate of the Trustee, dated the date of Closing, addressed to the Agency and the Underwriter, in form and substance acceptable to the Underwriter, to the following effect:

(i) The Trustee is duly organized and existing as a national banking association under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Indenture.

(ii) To the best knowledge of the Trustee, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending against the Trustee or threatened against the Trustee which in the reasonable judgment of the Trustee would affect the existence of the Trustee or in any way contesting or affecting the validity or enforceability of the Indenture or contesting the powers of the Trustee or its authority to enter into and perform its obligations under the Indenture.

(9) Ratings. Evidence that the Bonds have been rated “___” by Standard & Poor's Ratings Services.

(10) Tax Certificate. A tax certificate of the Agency addressing such matters required by Bond Counsel.

(11) Continuing Disclosure Certificate. The Agency shall have executed the Continuing Disclosure Certificate substantially in the form attached as Appendix F to the Official Statement.

(12) Resolutions. Certified copies of the Resolution and the resolutions of the Authority and the Lafayette City Council relating to the issuance of the Bonds.

(13) First Supplemental Indenture. A certified copy of the First Supplemental Indenture.

(14) Bond Insurance Policy. The municipal bond insurance policy issued by the Insurer with respect to the Bonds, the tax certificate representations of the Insurer, and an opinion of counsel to the Insurer regarding the enforceability of such policy; in form reasonably satisfactory to the Agency, Bond Counsel, and the Underwriter.]

(15) Additional Documents. Such additional certificates, instruments and other documents as Bond Counsel, the Agency, the Authority or the Underwriter may reasonably deem necessary.

If the Agency and the Authority shall be unable to satisfy the conditions contained in this Purchase Agreement, or if the obligations of the Underwriter shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter, the Agency nor the Authority shall be under any further obligation hereunder.

8. Expenses. The Underwriter shall be under no obligation to pay and the Agency shall pay or cause to be paid the expenses incident to the performance of the obligations of the Agency hereunder including but not limited to: (a) the costs of the preparation and printing, or other reproduction (for distribution on or prior to the date hereof) of the Financing Documents and the cost of preparing, printing, issuing and delivering the definitive Bonds; (b) the fees and disbursements of any counsel, financial advisors, accountants or other experts or consultants retained by the Agency; (c) the fees and disbursements of Bond Counsel; (d) [the premium for the municipal bond insurance policy;] or (e) the cost of preparation and printing of the Preliminary Official Statement and any supplements and amendments thereto and the cost of preparation and printing of the Official Statement, including the requisite number of copies thereof for distribution by the Underwriter.

The Underwriter shall pay, and neither the Agency nor the Authority shall be under any obligation to pay, costs of its counsel and all expenses incurred by it in connection with the public offering and distribution of the Bonds, including but not limited to (a) reporting fees chargeable by the California Debt and Investment Advisory Commission, and (b) CUSIP Service Bureau fees.

9. Notice. Any notice or other communication to be given to the Agency under this Purchase Agreement may be given by delivering the same in writing to such entity at the address set forth above. Any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Piper Jaffray & Co., 345 California Street, Suite 2200, San Francisco, California 94104-2623. Any notice or other communication to be given to the Authority under this Purchase Agreement may be given by delivering the same in writing to such entity in care of the Agency at the address set forth above.

10. Entire Agreement. This Purchase Agreement, when accepted by the Agency, and the Authority shall constitute the entire agreement among the Agency, the Authority and the Underwriter and is made solely for the benefit of the Agency, the Authority and the Underwriter (including the successors or assigns of the Underwriter). No other person shall acquire or have any right hereunder by virtue hereof, except as provided herein. All the Agency's and the Authority's representations, warranties and agreements in this Purchase Agreement shall remain operative and in full force and effect, regardless of any investigation made by or on behalf of the Underwriter, until the earlier of (a) delivery of and payment for the Bonds hereunder, and (b) any termination of this Purchase Agreement.

11. Counterparts. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

12. Severability. In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

13. State of California Law Governs. The validity, interpretation and performance of this Purchase Agreement shall be governed by the laws of the State of California.

14. No Assignment. The rights and obligations created by this Purchase Agreement shall not be subject to assignment by the Underwriter, the Agency, or the Authority without the prior written consent of the other parties hereto.

PIPER JAFFRAY & CO.

By: _____
Title: Managing Director

**LAFAYETTE PUBLIC FACILITIES
FINANCING AUTHORITY**

By: _____
Title: Executive Director

Accepted as of the date first stated above:

**REDEVELOPMENT AGENCY OF
THE CITY OF LAFAYETTE**

By: _____
Title: Executive Director

APPENDIX A

MATURITY SCHEDULE

<u>Maturity</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>
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\$_____, ____% Term Bond Maturing August 1, 20__, Priced to Yield ____%

Sinking Fund Payment
(August 1)

Payment Amount

SECOND SUPPLEMENTAL INDENTURE

THIS SECOND SUPPLEMENTAL INDENTURE made and entered into as of November 1, 2008 (the "Second Supplemental Indenture") by and between WELLS FARGO BANK, N.A., a national banking association duly organized under the laws of the United States of America (the "Trustee") and the REDEVELOPMENT AGENCY OF THE CITY OF LAFAYETTE (the "Agency"), a public body, corporate and politic, duly organized and existing pursuant to the Community Redevelopment Law of the State of California,

W I T N E S S E T H:

WHEREAS, the Agency is a redevelopment agency, a public body, corporate and politic, duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the California Health and Safe Code (the "Law"), including the power to issue bonds for any of its corporate purposes; and

WHEREAS, pursuant to Resolution No. R04-02 (the "Series 2002 Bonds Resolution") dated July 22, 2002, the Agency has previously entered into the Indenture of Trust, dated as of August 1, 2002, (the "Indenture"), between the Agency and the Trustee (as successor trustee to U.S. Bank National Association), and caused to be issued, pursuant to the Indenture and the Series 2002 Bonds Resolution, its \$5,585,000 principal amount of Redevelopment Agency of the City of Lafayette, Lafayette Redevelopment Project Tax Allocation Bonds, Series 2002 (the "Series 2002 Bonds") to finance capital improvements in the Lafayette Redevelopment Project Area (the "Project Area"); and

WHEREAS, pursuant to Resolution No. R__-05 (the "Series 2005 Bonds Resolution") dated October 11, 2005, the Agency has previously entered into the First Supplemental Indenture of Trust, dated as of November 1, 2005, (the "First Supplemental Indenture"), supplementing and amending the Indenture, between the Agency and the Trustee, and caused to be issued, pursuant thereto and the Series 2005 Bonds Resolution, its \$11,680,000 principal amount of Redevelopment Agency of the City of Lafayette, Lafayette Redevelopment Project Tax Allocation Bonds, Series 2005 (the "Series 2005 Bonds") to finance capital improvements in the Project Area; and

WHEREAS, the Indenture permits the Agency to issue additional Bonds and Parity Debt thereunder and the Agency has determined to issue its Redevelopment Agency of the City of Lafayette, Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008 (the "Series 2008 Bonds") to finance redevelopment projects and to pay for the costs of issuance thereof; and

WHEREAS, all things necessary to make the Series 2008 Bonds, when authenticated by the Trustee and issued as provided in this Second Supplemental Indenture, the

valid, binding and legal obligations of the Agency according to the import thereof and hereof have been done and performed;

NOW, THEREFORE, THIS SECOND SUPPLEMENTAL INDENTURE WITNESSETH, that in order to secure the payment of the principal, premium, if any, and the interest on all Series 2008 Bonds at any time issued and outstanding under this Second Supplemental Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Series 2008 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Series 2008 Bonds by the owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, the Agency does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Series 2008 Bonds, as follows:

ARTICLE XIX

DEFINITIONS; EQUAL SECURITY

SECTION 19.01. Definitions.

(a) Capitalized terms used in this Second Supplemental Indenture and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture. In addition, the following words and terms, as used in this Second Supplemental Indenture and in the recitals hereto, shall have the following meanings unless the context or use clearly indicates another or different meaning or intent and such definitions shall be equally applicable to both the singular and plural forms of the terms and words herein defined:

“Authorized Agency Representative” means the Chair of the Agency, the Executive Director of the Agency and any other officer of the Agency duly authorized to act as an Authorized Agency Representative for purposes of the Indenture by the Agency or written authorization of the Chair of the Agency.

“Effective Date” means the earlier of: (i) the first date upon which all of the Outstanding Series 2002 Bonds are no longer Outstanding, or (ii) the first date upon which the Agency has filed with the Trustee the written consents to the amendments set forth in Article XVII of the Indenture of the of the Bond Insurer, if any, and of the Owners of 100% of the Outstanding Series 2002 Bonds, all in accordance with the terms of Article IX of the Indenture.

“Principal Payment Date” means any August 1 on which principal or Accreted Value is scheduled to be paid, commencing on August 1, 2008 with respect to the Series 2008 Bonds.

“Rating Agency” means, as of any time and to the extent it is then providing or maintaining a rating on the Bonds or any other obligations hereunder at the request of the Agency, each of Moody’s, Standard & Poor’s or Fitch, or in the event that neither Moody’s, Standard & Poor’s or Fitch then maintains a rating on the Bonds or any other obligations hereunder at the request of the Agency, any other nationally recognized rating agency then

providing or maintaining a rating on the Bonds or any other obligations hereunder at the request of the Agency.

“Second Supplemental Indenture” means this Second Supplemental Indenture and all Supplemental Indentures supplementing or amending this Second Supplemental Indenture.

“Series 2008 Bonds” means the Redevelopment Agency of the City of Lafayette, Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008 issued and delivered in accordance with Article IV of the Indenture and this Second Supplemental Indenture dated as of November 1, 2008.

“Series 2008 Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement, dated as of the Closing Date, between the Agency and the Trustee, relating to the Series 2008 Bonds, as it may be amended from time to time in accordance with the terms thereof.

(b) In addition, the following definitions under Section 1.01 of the Indenture are hereby amended and restated as follows:

“Bond Year” means any twelve-month period beginning on August 2 in any year and ending on the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end August 1, 2003; provided that with respect to the Series 2005 Bonds, the first Bond Year shall begin on the Closing Date, and end August 1, 2006, and with respect to the Series 2008 Bonds, the first Bond Year shall begin on the Closing Date, and end August 1, 2009.

“Closing Date” means August 20, 2002, the date on which the Series 2002 Bonds are delivered by the Agency to the original purchaser thereof, provided that with respect to the Series 2005 Bonds, “Closing Date” means November 9, 2005, being the date of initial delivery of the Series 2005 Bonds, and with respect to the Series 2008 Bonds, “Closing Date” means November __, 2008, being the date of initial delivery of the Series 2008 Bonds.

“Indenture” means the Indenture of Trust, dated as of August 1, 2002, by and between the Agency and the Trustee, as originally entered into or as it may be amended or supplemented by the First Supplement Indenture, the Second Supplemental Indenture and any Supplemental Indenture entered into pursuant to the provisions thereof.

“Term Bonds” means Bonds which are payable on or before their specified maturity dates from Sinking Account Installments established for that purpose, including the Series 2002 Bonds maturing on August 1, 2024 and August 1, 2032; and with respect to the Series 2005 Bonds, “Term Bonds” means the Series 2005 Bonds maturing on August 1, 2030 and August 1, 2035; and with respect to the Series 2008 Bonds, “Term Bonds” means the Series 2008 Bonds maturing on August 1, 20__ and August 1, 20__

SECTION 19.02. Equal Security. In consideration of the acceptance of the Series 2008 Bonds by the Owners thereof, the Second Supplemental Indenture shall be deemed to be and shall constitute a contract between the Agency and the Owners from time to time of all Series 2008 Bonds issued hereunder and then Outstanding to secure the full and final payment of

the interest on and principal of and redemption premiums, if any, on all Series 2008 Bonds authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions herein contained; and the agreements and covenants herein set forth to be performed on behalf of the Agency shall be for the equal and proportionate benefit, security and protection of all Owners of the Series 2008 Bonds without preference, priority or distinction as to security or otherwise of any Series 2008 Bonds over any other Series 2008 Bonds.

ARTICLE XX

AUTHORIZATION AND TERMS OF THE SERIES 2008 BONDS

SECTION 20.01. General Authorization; the Series 2008 Bonds. The Agency has reviewed all proceedings heretofore taken relative to the authorization of the Series 2008 Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the issuance of the Series 2008 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly authorized, pursuant to each and every requirement of law, to issue the Series 2008 Bonds in the manner and form provided in the Indenture and this Second Supplemental Indenture. Accordingly, the Agency hereby authorizes the issuance of the Series 2008 Bonds for the purposes set forth in the preamble of this Second Supplemental Indenture.

SECTION 20.02. Terms of the Series 2008 Bonds; Form of Series 2008 Bonds. Terms of the Series 2008 Bonds not specified herein shall be determined pursuant to the provisions of the Indenture.

(a) The Series 2008 Bonds authorized to be issued by the Agency under and subject to the terms of the Indenture, this Second Supplemental Indenture and the Law shall be designated the "Redevelopment Agency of the City of Lafayette, Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008" and shall be in the aggregate principal amount of _____ dollars (\$ _____) and shall be in the denomination of \$5,000 or any integral multiple of \$5,000.

The Series 2008 Bonds shall be in substantially the form set forth in Exhibit A hereto, shall be dated their date of delivery, will bear interest at the annual rates set forth below, payable semiannually on each February 1 and August 1, commencing February 1, 2006, and will mature, subject to prior redemption, on August 1 in the years set forth below.

Maturity Date <u>(August 1)</u>	Principal <u>Amount</u>	Interest <u>Rate</u>
2008	\$	%

*Term Bonds

Interest on the Series 2008 Bonds shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

ARTICLE XXI

REDEMPTION AND PURCHASE OF SERIES 2008 BONDS

SECTION 21.01. Optional Redemption.

The Bonds maturing on and after August 1, 20__, are subject to optional redemption prior to their stated maturity dates on or after August 1, 20__, as a whole or in part on any date, at the option of the Agency, from any source of funds, at a redemption price equal to the principal amount of Bonds called for redemption, plus accrued interest with respect thereto to the date fixed for redemption without premium.

SECTION 21.02. Sinking Account Redemption.

(a) The Series 2008 Bonds maturing on August 1, 20__ shall also be subject to mandatory redemption in part by lot prior to their stated maturity dates, on any August 1 on and after August 1, 20__, solely from funds deposited by the Agency in the Sinking Account established therefor in Section 5.06(3) of the Indenture, at the principal amount thereof plus accrued interest thereon, if any, to the redemption date, without premium, as set forth below, upon notice as provided in the Indenture; *provided, however*, that if some but not all of the Series 2008 Bonds have been redeemed pursuant to Section 15.01 above, the total amount of all future Sinking Account payment shall be reduced by the aggregate principal amount of Series 2008 Bonds so redeemed, to be allocated among the Sinking Account payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

Series 2008 Bonds Maturing August 1, 20__

Sinking Account Redemption Date (<u>August 1</u>)	Principal Amount To Be Redeemed or <u>Purchased</u>
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*Final Maturity

(b) The Series 2008 Bonds maturing on August 1, 20__ shall also be subject to mandatory redemption in part by lot prior to their stated maturity dates, on any August 1 on and after August 1, 20__, solely from funds deposited by the Agency in the Sinking Account established therefor in Section 5.06(3) of the Indenture, at the principal amount thereof plus accrued interest thereon, if any, to the redemption date, without premium, as set forth below, upon notice as provided in the Indenture; *provided, however*, that if some but not all of the Series 2008 Bonds have been redeemed pursuant to Section 15.01 above, the total amount of all future Sinking Account payment shall be reduced by the aggregate principal amount of Series 2008

Bonds so redeemed, to be allocated among the Sinking Account payments as are thereafter payable on a pro rata basis in integral multiples of \$5,000 as determined by the Agency (notice of which determination shall be given by the Agency to the Trustee).

Series 2008 Bonds Maturing August 1, 20__

Sinking Account
Redemption Date
(August 1)

Principal Amount
To Be Redeemed or
Purchased

*Final Maturity

(c) In lieu of redemption of Term Bonds pursuant to this Section 15.02, amounts on deposit as Sinking Account payments may also be used and withdrawn by the Trustee, at the written direction of the Agency, at any time for the purchase of Term Bonds otherwise required to be redeemed on the following August 1 at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the Term Bonds so purchased by the Agency and surrendered to the Trustee for cancellation in any twelve-month period ending on April 1 in any year shall be credited towards and shall reduce the par amount of the Term Bonds otherwise required to be redeemed on the following August 1 pursuant to Section 15.02.

(d) If the funds sufficient to redeem Series 2008 Bonds subject to an optional redemption hereunder are not deposited on the date the notice of redemption is distributed, such notice shall specify that the redemption is subject to the deposit of such funds.

ARTICLE XXII

APPLICATION OF PROCEEDS OF THE SERIES 2008 BONDS

SECTION 22.01. Application of Proceeds of Sale of the Series 2008 Bonds Allocation Among Funds and Accounts.

(a) The proceeds of the sale of the Series 2008 Bonds shall be applied by the Trustee as follows:

(i) The Trustee shall establish within the Expense Fund a Series 2008 Expense Fund Subaccount and shall deposit \$ _____ therein to pay for costs of issuance incurred in connection with the issuance of the Series 2008 Bonds.

(ii) The Trustee shall deposit within the Series 2008 Project Account, which the Agency hereby agrees to establish and maintain, within the Redevelopment Fund established pursuant to Section 5.03 of the Indenture, the sum of \$_____ to finance Agency public facilities and infrastructure improvements. All money in the Series 2008 Project Account shall be used and withdrawn by the Agency as provided in Section 5.05 of the Indenture.

(iii) The Trustee shall deposit \$_____ in the Reserve Account to meet a portion of the Reserve Account Requirement after the issuance of the Series 2008 Bonds.

(iv) The Trustee shall deposit \$_____ in the Interest Account to pay debt service on the Bonds through August 1, 2007.

(b) The Trustee is hereby authorized to establish and maintain for so long as is necessary one or more temporary funds and accounts under this Indenture.

ARTICLE XXIII

MISCELLANEOUS

SECTION 23.01. Additional Covenants of the Agency.

(a) The Agency represents and warrants that it has not heretofore made a pledge of, granted a lien on or security interest in, or made an assignment or sale of the Tax Increment Revenues that ranks on a parity with or prior to the pledge granted under the Indenture, except to secure the obligations disclosed in the Official Statement that will be outstanding upon issuance of the Series 2008 Bonds. The Agency shall not hereafter make or suffer to exist any pledge or assignment of, lien on, or security interest in the Tax Increment Revenues that ranks prior to or on a parity with the pledge granted under the Indenture, or file any financing statement describing any such pledge, assignment, lien, or security interest, except as expressly permitted under the Indenture.

(b) As of the Closing Date and thereafter, the Agency will, to the extent required by law, cause the Indenture and all supplements thereto, and other instruments, to be kept, recorded and filed in such manner and in such places as may be required by law in order to create, perfect, preserve and protect fully the security of the holders of the Series 2008 Bonds in the Tax Increment Revenues and any other collateral and the rights of any Trustee for the holders of the Series 2008 Bonds. The Agency covenants that it will do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered such further acts, instruments and transfers as may be required for the better securing, assuring, continuing, transferring, conveying, pledging, assigning and confirming unto the holders of the Series 2008 Bonds or any Trustee for the holders of the Series 2008 Bonds, the Tax Increment Revenues and any other collateral pledged to the payment of the principal of, premium, if any, and interest on the Series 2008 Bonds. Except to the extent it is exempt therefrom, the Agency will pay or cause to be paid all filing fees incident to such filing and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or State fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of such instruments of further assurance.

SECTION 23.02. Tax Increment Fund Maintenance. The provisions of Section 5.06 of the Indenture are hereby amended to provide that the Trustee shall set aside amounts from the Tax Increment Fund pursuant to Section 5.06(1) and 5.06(2) for deposit to the Interest Account and the Principal Account, respectively, at least five (5) days in advance.

SECTION 23.03. Investment of Moneys in the Reserve Account. The provisions of Section 5.07 of the Indenture are hereby supplemented to include the following additional requirement: Moneys in the Reserve Account shall be invested in Permitted Investments with maturities not longer than ten (10) years, the average life of which is no longer than five (5) years.

SECTION 23.04. Amendment. This Second Supplemental Indenture may be amended in the same manner, for the same purposes and subject to the same limitations as set forth in Article VII and Article XVII of the Indenture for amendments of the Indenture; provided, however, that with regard to any amendment of this Second Supplemental Indenture or the Indenture requiring consent of the Bondholders, the only consent that shall be required is that of the Holders of the Series 2008 Bonds and the Bond Insurer.

SECTION 23.05. Benefits of Second Supplemental Indenture Limited to Parties. Nothing in the Second Supplemental Indenture, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Bond Insurer and the Owners any right, remedy or claim under or by reason of the Second Supplemental Indenture. Any covenants, stipulations, promises or agreements in the Second Supplemental Indenture contained by and on behalf of the Agency or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Owners.

SECTION 23.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof provided in the Second Supplemental Indenture to be performed on the part of the Agency (or of the Trustee) should be contrary to law, then such agreement or agreements, such covenant or covenants, or such portions thereof, shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity of the Second Supplemental Indenture or of the Series 2008 Bonds; but the Owners shall retain all the rights and benefits accorded to them under the Law or any other applicable provisions of law. The Agency hereby declares that it would have entered into the Second Supplemental Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Series 2008 Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of the Second Supplemental Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 23.07. Effective Date. This Second Supplemental Indenture shall become effective upon its execution and delivery.

SECTION 23.08. Second Supplemental Indenture Incorporated into the Indenture. This Second Supplemental Indenture and all the terms and provisions herein contained shall form part of the Indenture as fully and with the same effect as if all such terms

and provisions had been set forth in the Indenture. The Indenture shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented hereby.

SECTION 23.09. Captions. The captions or headings in this Second Supplemental Indenture are for convenience only and in no way define, limit or describe the scope or intent of any provisions or sections of this Second Supplemental Indenture.

SECTION 23.10. California Law. The Second Supplemental Indenture shall be construed and governed in accordance with the laws of the State of California.

SECTION 23.11. Execution in Several Counterparts. This Second Supplemental Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Agency and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the Agency and the Trustee have entered into this Second Supplemental Indenture by their officers thereunto duly authorized as of the day and year first above written.

REDEVELOPMENT AGENCY OF
THE CITY OF LAFAYETTE

By _____
Executive Director

WELLS FARGO BANK, N.A.,
as trustee

By _____
Authorized Officer

EXHIBIT A

[FORM OF SERIES 2008 BOND]

United States of America
State of California
Contra Costa County

REDEVELOPMENT AGENCY OF THE CITY OF LAFAYETTE,
LAFAYETTE REDEVELOPMENT PROJECT
Tax Allocation Bond, Series 2008

INTEREST RATE: _____% MATURITY DATE: August 1, 20__ DATED DATE: November __, 2008 CUSIP:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: *** _____ DOLLARS***

THE REDEVELOPMENT AGENCY OF THE CITY OF LAFAYETTE, a public body, corporate and politic, duly organized and existing under and by virtue of the laws of the State of California (the "Agency"), for value received hereby promises to pay to the Registered Owner stated above, or registered assigns (the "Registered Owner"), on the Maturity Date stated above (subject to any right of prior redemption hereinafter provided for), the Principal Sum stated above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond, unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth (15th) day of the month immediately preceding an Interest Payment Date (the "Record Date"), in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before January 15, 2006, in which event it shall bear interest from the Dated Date above; provided however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond, until payment of such Principal Sum in full, at the Interest Rate per annum stated above, payable semiannually on each August 1 and February 1, commencing February 1, 2009, or, if such day is not a Business Day (as such term is defined in the Indenture, hereinafter defined), on the next succeeding Business Day (each an "Interest Payment Date"), calculated on the basis of 360-day year comprised of twelve 30-day months. Principal hereof and premium, if any, upon early redemption hereof are payable upon surrender of this Bond at the Principal Corporate Trust Office (as such term is defined in the Indenture) of Wells Fargo Bank, N.A., as trustee (the "Trustee"), or at such other place as designated by the Trustee. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for which such Interest Payment Date occurs; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such

registered owner filed with the Trustee for that purpose on or before the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Agency designated as "Redevelopment Agency of the City of Lafayette, Lafayette Redevelopment Project Tax Allocation Bonds, Series 2008" (the "Bonds"), of an aggregate principal amount of _____ Dollars (\$ _____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, or redemption and other provisions) and all issued pursuant to the provisions of Part 1 of Division 24 of the California Health and Safety Code (the "Law"), and pursuant to Resolution No. R2005-05 of the Agency adopted October 11, 2005, an Indenture of Trust, dated as of August 1, 2002, entered into by and between the Agency and the Trustee (as previously supplemented, the "Original Indenture") as supplemented by a Second Supplemental Indenture, dated as of November 1, 2008, entered into between the Agency and the Trustee (together with the Original Indenture, the "Indenture"), authorizing the issuance of the Bonds. Additional bonds, or other obligations may be used on a parity with the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all indentures supplemental thereto and to the Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues (as that term is defined in the Indenture), and the rights thereunder of the registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency for the purpose of providing funds to finance redevelopment projects with respect to the Lafayette Redevelopment Project Area (the "Project Area"), and to pay certain expenses of the Agency in issuing the Bonds.

The Bonds are special obligations of the Agency and this Bond and the interest hereon and on all other Bonds and the interest thereon (to the extent set forth in the Indenture), are payable from, and are secured by a pledge of, security interest in and lien on the Tax Revenues (as defined in the Indenture) derived by the Agency from the Project Area.

There has been created and will be maintained by the Agency, the Special Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Agency shall transfer amounts to the Trustee for payment of the principal of and the interest and redemption premium, if any, on the Bonds when due. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment or redemption of, including any premium upon early redemption, and for the security and payment of interest on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Special Fund, Redevelopment Fund, the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, and the Redemption Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or redemption premium, if any, on the Bonds.

The Bonds shall be subject to redemption, prior to their respective maturity dates, on the dates, upon the notice and at the prices set forth in the Indenture.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Principal Corporate Trust Office of the Trustee or such other place as designated by the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. The Trustee may refuse to transfer or exchange (a) any Bonds during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bonds selected for redemption.

The Agency and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Agency and the Trustee shall not be affected by any notice to the contrary.

The rights and obligations of the Agency and the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Agency to pay the principal, interest or redemption premiums (if any) at the time and place and at the rate and in the currency provided herein of any Bond without the express written consent of the registered owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Agency or the Trustee for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of

DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

This Bond is not a debt of the City of Lafayette, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Agency, does not exceed any limit prescribed by the Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the Trustee's Certificate of Authentication hereon shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Lafayette has caught this Bond to be executed in its name and on its behalf with the facsimile signature of its Executive Director and its seal to be reproduced hereon and attested by the facsimile signature of its Secretary, all as of Dated Date stated above.

REDEVELOPMENT AGENCY OF
THE CITY OF LAFAYETTE

By: _____
Executive Director

ATTEST:

Agency Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Authentication Date: _____, 2008

WELLS FARGO BANK, N.A.,
Trustee

By: _____
Authorized Signatory

ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Certificate and do(es) hereby irrevocably constitute and appoint

attorney, to transfer the same on the registration books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by an eligible guarantor institution (banks, stock brokers, savings and loan associations and credit unions with membership in an approved signature guarantee medallion program) pursuant to Securities and Exchange Commission Rule 17 Ad-15.

NOTICE: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular, without alteration or enlargement or any change whatsoever.

SECOND SUPPLEMENTAL INDENTURE

between the
REDEVELOPMENT AGENCY OF THE CITY OF LAFAYETTE

and

WELLS FARGO BANK, N.A.,
as Trustee

Dated as of November 1, 2008

\$ _____
Redevelopment Agency of the City of Lafayette,
Lafayette Redevelopment Project
Tax Allocation Bonds, Series 2008

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